

## Message Text

UNCLASSIFIED

PAGE 01 BERN 03690 01 OF 02 021431Z  
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04  
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 PA-02 NSC-05  
SS-15 STR-07 CEA-01 /119 W  
-----047360 021520Z /50

R 021330Z AUG 78  
FM AMEMBASSY BERN  
TO SECSTATE WASHDC 3658  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
USMISSION GENEVA  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMCONSUL ZURICH POUBH

UNCLAS SECTION 1 OF 2 BERN 3690

USMTN ALSO FOR MISSION  
USOECN ALSO FOR EMBASSY  
PASS TREAS FRB  
EO 11652: NA  
TAGS: EFIN, SZ  
SUBJ: SWISS FINANCIAL REVIEW: WEEK JULY 24-28  
1. SUMMARY: DOLLAR REACHED NEW LOW AT SF 1.75.  
GOLD CLOSED UP \$10.25 AT \$201.50 ON SPECULATIVE  
BUYING. SNB PRES LEUTWILER PREDICTED FURTHER  
APPRECIATION OF SF, HINTED SWISS UNWILLING TO INTER-  
VENE MUCH MORE TO BOLSTER DOLLAR. SNB PLACED  
CONFEDERATION MONEY WITH COMMERCIAL BANKS TO IMPROVE  
LIQUIDITY. END SUMMARY.  
2. LEUTWILER: IN A SWISS TELEVISION INTERVIEW  
THURS EVENING SNB PRES FRITZ LEUTWILER SAID THE SF  
WILL CONTINUE ITS HIGH FLIGHT VIS-A-VIS THE DOLLAR  
BECAUSE OF HIGH US INFLATION RATE. BUT STRENGTH OF  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 03690 01 OF 02 021431Z

SF AGAINST DM POSES AT LEAST AS MANY PROBLEMS.  
EXPECTATIONS FROM BONN SUMMIT ARE TOO OPTIMISTIC.  
POLITICAL PRESSURES IN GERMANY TO FORCE ECONOMIC  
STIMULATION COULD LEAD TO ADDITIONAL INFLATION THROUGH  
MONETARY BASE EXPANSION WHICH WOULD CAUSE ADDITIONAL  
UPWARD PRESSURE ON SF. FOR SWITZERLAND, PRICE  
STABILITY WILL BE GIVEN A HIGHER PRIORITY THAN

EXCHANGE RATE STABILITY. SWITZERLAND HAS NEARLY EXHAUSTED ITS DEFENSES AGAINST DEMAND FOR SF, WITHOUT HAVING ACHIEVED DESIRED RESULTS. SPECIFICALLY, INVESTMENT RESTRICTIONS ANNOUNCED IN FEB DO NOT CONFORM TO SWISS ECONOMIC SYSTEM AND SHOULD BE ABOLISHED AS SOON AS POSSIBLE. LEUTWILER SAID HIGH SF EXCHANGE RATE CANNOT BE BLAMED ENTIRELY ON 'BAD FOREIGNERS' BUT IS ALSO RESULT OF INTERNAL DEMAND GENERATED BY LARGE SWISS ENTERPRISES MAINTAINING UNNECESSARILY HIGH SF LIQUIDITY.

3. FOREX GOLD: MARKETS WERE VOLATILE THROUGHOUT THE WEEK. DOLLAR HIGH SF 1.7920 ACHIEVED AT CLOSE OF TRADING THURS. STRENGTH OF YEN, HIGHER US INFLATION RATE, US TRADE DEFICIT FORECAST BY OECD, AND SNB PRES LEUTWILER'S PREDICTION THURS EVENING THAT SF APPRECIATION WILL CONTINUE WERE FACTORS FORCING DOWN DOLLAR TO LOW SF 1.7490 FRI. DOLLAR WEAKNESS FUELED SPECULATIVE GOLD-BUYING SPREE IN THIN TRADING. GOLD CLOSED UP \$10.25 FROM PREVIOUS FRI CLOSE. RATES FOLLOW:

7/24 (OPEN) 7/28 (CLOSE)  
SPOT DOLLAR 1.7730 1.7500  
FORWARD DISCOUNTS  
(PCT PER ANNUM)  
1 MONTH 6.77 7.88  
2 MONTHS 6.44 7.02  
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BERN 03690 01 OF 02 021431Z

3 MONTHS 6.55 6.85  
6 MONTHS 6.77 7.08  
12 MONTHS 6.44 6.60  
SF/DM 86.97 85.77  
GOLD 195.00 201.50

4. CAPITAL MONEY MARKETS:

A) STOCK MARKET ACTIVITY CONTINUED LIGHT. TRADING IN SAURER (TEXTILE MACHINERY, TRUCKS, BUSES) ACTIVE AS RUMORS PERSIST OERLIKON-BUEHRLE OR FIAT HOLDING PLAN A TAKEOVER. SKA INDEX CLOSED UP 0.2 PCT AT 253.3. AVERAGE YIELD CONFEDERATION BONDS SLIPPED BACK TO 3.37. THREE-MONTH EUROFRANC RATE DECLINED THREE-EIGHTHS PCT TO ONE AND THREE-QUARTERS PCT.  
B) TUES THE 4 MAJOR BANKS REDUCED RATE PAID ON TIME DEPOSITS BY ONE-QUARTER PCT ACROSS THE BOARD WITH IMMEDIATE EFFECT. NEW RATES ARE 1.25 PCT FOR

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BERN 03690 02 OF 02 021413Z  
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04  
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 PA-02 NSC-05  
SS-15 STR-07 CEA-01 /119 W  
-----047045 021520Z /50

R 021330Z AUG 78  
FM AMEMBASSY BERN  
TO SECSTATE WASHDC 3659  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
USMISSION GENEVA  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMCONSUL ZURICH POUCH

UNCLAS SECTION 2 OF 2 BERN 3690

USMTN ALSO FOR MISSION  
USOECN ALSO FOR EMBASSY  
PASS TREAS FRB  
3-11 MONTH DEPOSITS AND 1.50 PCT FOR 12 MONTH DEPOSITS.  
RATES HAD BEEN RAISED ONE-HALF PCT PREVIOUS WEEK AS  
MONEY MARKET TIGHTENED. SNB TOOK STEPS TO IMPROVE  
LIQUIDITY BY AGREEING TO PLACE ON JULY 28 SF 450  
MILLION OF CONFEDERATION FUNDS WITH COMMERCIAL BANKS  
FOR 6 MONTHS AT 1.50 PCT RATE. PLACING WITH  
COMMERCIAL BANKS OF MONEY FROM CONFEDERATION ACCT  
IS NEW STEP FOR SNB. (FED ACCT AT SNB REPRESENTING  
ACCUMULATED SURPLUS TOTALLED SF 3.18 BILLION AS OF  
JULY 21.)  
C) SWISS BANK CORP WEEKLY REPORT SAYS DESPITE LOW  
INFLATION RATE, SOCIAL STABILITY, AND RELATIVELY  
LOW PRICE LEVELS, SWISS STOCK MARKET LIKELY TO BE  
INHIBITED BY NEGATIVE FACTORS IN NEAR FUTURE. THESE  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 03690 02 OF 02 021413Z

INCLUDE CURRENCY QUESTION, HIGH RATE EXPANSION OF  
MONEY SUPPLY, AND UNINSPIRING GROWTH OUTLOOK. BANK  
CONTINUES TO RECOMMEND SELECTIVE PURCHASES OF US  
STOCKS FOR LONG-TERM INVESTORS.  
D) FIRST BOSTON INC WILL TAKE A 31 PCT SHARE OF

CIE FINANCIERE DE CREDIT SUISSE ET WHITE WELD, THE  
PARENT OF THE LONDON INVESTMENT BANK CREDIT SUISSE  
WHITE WELD. CSWW WILL ITSELF TAKE A 25 PCT STAKE  
IN FIRST BOSTON. EACH STAKE IS BEING ACQUIRED AT  
BOOK VALUE AND WILL COST ABOUT \$30 MILLION. AGREE-  
MENT INCLUDES PROVISION FOR EACH TO ACQUIRE MORE  
SHARES IN THE OTHER, PROVIDED THEY DO NOT BECOME  
UNEQUAL. CSWW NAME WILL BE CHANGED TO CREDIT  
SUISSE FIRST BOSTON. CROWLEY

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC REPORTS, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 02 aug 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 jan 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978BERN03690  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780316-0346  
**Format:** TEL  
**From:** BERN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t197808104/aaaadjr.tel  
**Line Count:** 179  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** f8240358-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 29 mar 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1553086  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SWISS FINANCIAL REVIEW: WEEK JULY 24-28  
**TAGS:** EFIN, SZ  
**To:** STATE USMTN  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/f8240358-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014